

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7164**

**BILL NUMBER:** HB 1329

**DATE PREPARED:** Feb 5, 2002

**BILL AMENDED:** Jan 31, 2002

**SUBJECT:** Public Water and Wastewater.

**FISCAL ANALYST:** Bernadette Bartlett

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**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill permits a political subdivision to receive financial assistance from the Wastewater Revolving Loan Fund and the Supplemental Drinking Water and Wastewater Assistance Fund for certain nonpoint source pollution reduction projects. The bill establishes reduced rate loans to private entities for those projects financed through those funds. It limits the amount available from each fund for those purposes.

The bill adjusts the applicability of deadlines for action by the Department of Environmental Management on certain environmental permit applications. The bill allows refunds of permit application fees under certain circumstances. It requires the Department to report to the Environmental Quality Service Council (EQSC) on the use of permit fee revenue.

This bill also changes references to "public water supply" in the Indiana Code to "public water system" to conform to federal environmental law. It also repeals the definitions of "public water supply" and "water supply system".

**Effective Date:** July 1, 2002; January 1, 2003.

**Explanation of State Expenditures:** (Revised) SECTION 14 requires IDEM to report to the EQSC on the distribution of funds for the NPDES, solid waste, and hazardous waste programs of the Department and boards. The bill also requires an independent audit that will cost the agency approximately \$25,000 per year that would be taken from the Environmental Management Permit Operation Fund. Other costs associated with preparing and presenting data to the EQSC can be absorbed given existing resources.

The proposal allows for use of the funds for nonpoint source pollution reduction projects, which could include reduction of nonpoint source pollution (1) from farm field runoff; (2) through restoration of wetlands; or (3) through replacement of failing sewage disposal systems with systems that include sewage

treatment features.

A financial institution may apply to the Budget Agency for eligibility to receive certificates of deposit. A private entity may apply to a financial institution for a loan for a nonpoint source pollution reduction project.

For each state fiscal year, the Budget Agency may use not more than 3% of the total amount available for financial assistance from the fund for the year for the combined purposes of (1) providing loans or other financial assistance to political subdivisions for nonpoint source pollution reduction projects; and (2) placing certificates of deposit for the nonpoint source pollution reduction project loan program. Amounts estimated to be available for any year that remain unused at the end of the year may be carried forward for use in any subsequent state fiscal year.

*Background:* The state revolving loan funds (SRFs) are administered jointly by the Budget Agency and IDEM with IDEM responsible for the environmental aspects of the programs and the Budget Agency responsible for the financial aspects. The SRF programs provide low interest loans to political subdivisions for wastewater projects and to political subdivisions and private and non-profit entities for drinking water projects. The total SRF loan portfolio for waste water and drinking water included 226 loans for over \$1 B as of January 2002.

The number of SRF loans has increased in recent years. After closing an average of about 7 loans for \$33 M per year from FY92 to FY98, the Budget Agency closed 31 loans for \$170 M in FY99 and 81 loans for \$354 M in FY 2000. The Budget Agency closed at least 26 loans for \$102 M in FY 2001.

The Supplemental Fund is used to make grants and loans. The majority are grants. Prior to 1995, Build Indiana Funds were used to fund projects. In 1995, \$28.2 M were appropriated to the fund. In 1999, \$40 M were appropriated to the fund. Interest rates for loans ranged from 0% to 4%.

Currently, four budget analysts at the State Budget Agency administer the State Revolving Loan Funds and the Supplemental Fund. Three analysts are paid through the Indiana Transportation Finance Authority. The fourth analyst serves as a consultant under contract. Costs for the four analysts equal about \$160,000 per year. Approximately ten staff administer the SRF program for IDEM.

**Explanation of State Revenues:** (Revised) SECTION 12 of the bill will have a fiscal impact upon IDEM. As of Jan. 31, 2002, 113 NPDES permits had not been public noticed and were administratively extended. Including permits on public notice, the total number of permits equaled 166. Subsection (b) refers to a refund of a permit *application* fee for renewal of an administratively extended major NPDES permit or a minor individual NPDES permit. (IC 13-18-20-12 sets the application fee for a renewal of an NPDES permit at only \$50.) Subsection (c) provides a formula for calculating a refund assessed under IC 13-18-20-13, which is for NPDES *annual* fees. Assuming that SECTION 12 establishes a provision for a refund of an *annual* fee, the refund formula would result in a refund of up to 25.5% of the annual NPDES fees for those permits that are administratively extended and have not been approved or denied by the deadline of July 1, 2003, as established in subsection (a). The number of permits that will be administratively extended and still pending on July 1, 2003, is indeterminable. However, the total annual fees paid in 2001 by the 166 NPDES permittees was \$1,309,846. Applying 25.5% of that figure provides an estimated maximum refund of \$334,011 that could be taken out of the Environmental Management Permit Operation Fund NPDES Account to pay for the refunds.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Budget Agency, Legislative Services Agency, and the Department of Environmental Management.

**Local Agencies Affected:** Political Subdivisions.

**Information Sources:** Rich Emery, and Matt Martin, State Budget Agency, State Revolving Loan Program, 232-0759; Erika Seydel Cheney, Director of the Office of Business and Legislative Relations, IDEM (317) 232-8598.